UNCLASSIFIED

AUG 1 1969

LIMITED OFFICIAL USE

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [signature] DATE 25 MAY 1982
RDS☐or XDS☐EXT. DATE
TS AUTH. REASON(S)
EXCISE EXISTING MARKINGS ☐
DECLASSIFIED☐ RELEASABLE☐
RELEASE DENIED☐
Actions of FUSCO Italian

TO : Honorable G. Joseph Minetti
Civil Aeronautics Board

FROM : E/TT - Frank E. Loy

SUBJECT: Italian Bilateral Negotiations

I remain concerned about the status of US-Italian bilateral aviation relations. Given the long delay in our consideration of the multiple designation problem, the Italians may feel there is simply no point in waiting further and thus may begin to take various moves aimed at our operations and designed to force us to come to an agreement satisfactory to them.

Since any adjustment in our overall policy must now await the results of the policy study, I am convinced we must take at least one more hard look at a possible ad hoc Italian compromise. Of course, there are some things that we simply won't want to do, and do not need to do. My big concern is that we decide now what kind of a proposition we can make to the Italians on the issue of multiple designation--at present the crucial issue--rather than wait for them to make a move to which we would then react.

With this in mind we have prepared a brief discussion paper which includes a recommendation. I attach it hereto. I would very much like your reaction to it. Assuming it's worthwhile, we would then like to discuss the matter with the Board as a whole.

For your information, we understood that Secretary Volpe might wish to touch upon this matter during his forthcoming visit to Italy. We have asked the Department of Transportation what they specifically have in mind and will keep you informed.

Attachment:

Discussion Paper

(1)

LIMITED OFFICIAL USE

E/TT:FELoy:OA:JSMeadows:vlv:fbp 8/1/69

cc: CAB - Mr. Joseph Watson
E - Mr. Trezise

UNCLASSIFIED

DECLASSIFIED

LIMITED OFFICIAL USE

DISCUSSION PAPER

United States-Italy Bilateral Negotiations

Problem

United States-Italian aviation negotiations are at an impasse on the question of multiple designation. All other issues appear resolvable. No progress has been made with Italy on this matter since the matter surfaced last December as a major issue between us. Informal discussions in February and March of this year were not productive. Despite rumblings in Italy about possible unilateral action against US carriers, Italy has so far done nothing although clearly the Italians are unhappy with the present revenue imbalance favoring the United States. Since the Italians are aware that we have been considering this question, it seems doubtful that they will rest quiescent much longer in this situation. What is important here is that if we are prepared to consider a compromise, we do it as voluntary action and not as a result of Italian action against US carriers.

Recommendation

Any possible change in overall US multiple designation policy must await the results of the forthcoming policy review which is expected to require six to nine months. We do not think it desirable to await the outcome of review for two reasons. First, the policy review will take too long, and second, a mutually acceptable compromise may be possible. Under all the circumstances the Department feels it important to make one more effort to achieve a compromise with the Italians on the multiple designation issue. Such a compromise was suggested in the Chairman's memorandum of May 23, 1969 which suggests a solution to the Italian problem on a sui generis basis. We propose consideration of a solution along the following lines:

1. With respect to US routes already operated, the US Government would not seek to go beyond the status quo, i.e., all services to Italy from New York, Chicago, Los Angeles and Boston would continue to be operated by PAA, TWA and SWA.

LIMITED OFFICIAL USE

DECLASSIFIED

DECLASSIFIED

2. With respect to any new routes which the Italians might operate and which are not operated by US carriers (e.g., Atlanta-Dallas), the US Government would reserve the right to designate a carrier(s) of its own choosing.

3. With respect to any route not operated by carriers of either country, the United States would have the right to designate carriers of its own choice and, if new carriers involved, would be prepared to consult with the Italian Government for the purpose of agreeing appropriate compensation on the basis of possible economic imbalance.

The Department would appreciate the opportunity to discuss this matter, either formally or informally, with the Board.

DECLASSIFIED